

Headquarters U.S. Air Force

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AFMS Group



**12 May 04
1300-1530**

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AFMS Group Agenda

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- | | |
|---|---------------|
| ■ Approval of Minutes | 1 Min |
| ■ PLATT Update - Maj Greentree / Maj Guerrero | 20 Min |
| ■ Business Plans Update - Col Raynaud | 5 Min |
| ■ FY04 Budget Shortfall Update - Lt Col Tenney | 5 Min |
| ■ TPCP and MSA CIV ER Central Contract - Maj Graves | 30 Min |
| | 15 Min |
| ■ Open Discussion | |

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Minutes Approval

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- **5 May 04 AFMS Group Minutes - Approved?**
- **Archives of AFMS Corporate Structure minutes can be found at:**
 - **O:\SG_Common\AFMS Corporate Structure**
 - or -**
 - **<https://kx.afms.mil/afmsengineerroom>**

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FY07-08 Product Line Prioritization



**Product Line Analysis &
Transformation Team
(PLATT)**

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Product Line Prioritization

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- **Purpose: Obtain AFMS Group approval on Product Line prioritization and the way ahead**
 - **Classification: Unclassified**
 - **Type: Decision**
 - **Length of Briefing: 20 min**
 - **Briefer: PLATT members**

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Overview

- **Product Lines Completed To Date**
- **Remaining Product Lines**
- **Product Line Prioritization Methodology**
- **Product Line Timeline**
- **The Way Ahead**

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Product Line Past and Future

- **Product Lines completed to date**
 - **48 analyzed product lines applied in FY06 POM**
 - **Mostly clinical and direct support to clinical areas**

- **Product Lines remaining**
 - **36 to be completed with application in FY08 POM**
 - **Phase I - 10, Phase II - 13, Phase III - 13**
 - **Mixture of clinical and business/non-clinical areas**
 - **16,407 authorizations**
 - **\$1.09B Total risk**

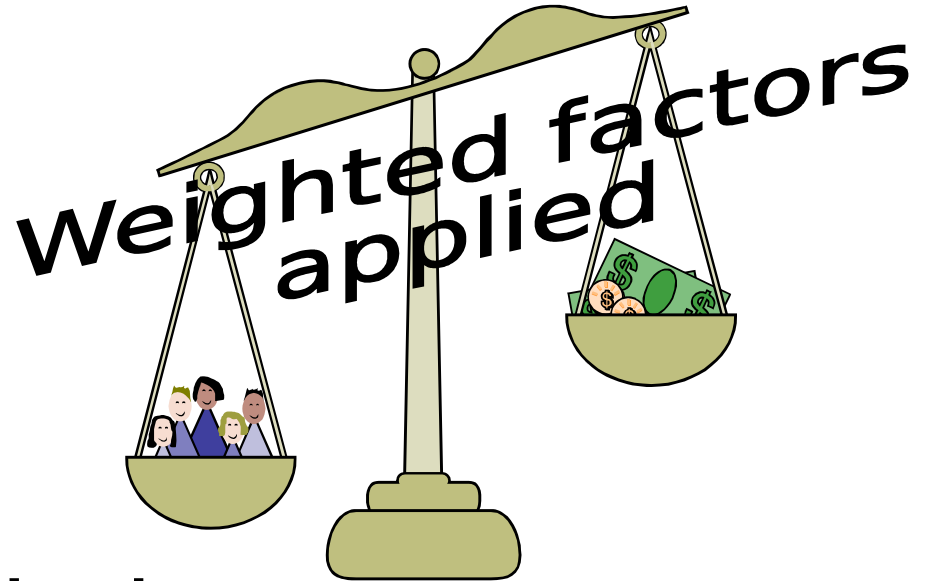
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Prioritization Considerations

- **Total authorizations**
- **Total risk**
- **Ease of model build**
- **High visibility/interest**
- **Other product line dependencies**





Product Line Phases

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PHASE I

Product Line	Panel
OB/Gyn	SGO
Pediatrics	SGO
Cardio Thoracic Surgery	SGO
Neurology	SGO
Neurosurgery	SGO
Pulmonary/Critical Care Services	SGO
Endocrinology	SGO
Occupational Therapy	SGO
Plastic Surgery	SGO
Peripheral Vascular Surgery	SGO

PHASE II

Product Line	Panel
Family Practice/FP residency	SGO
Lab	SGS
General Surgery	SGO
Gastroenterology	SGO
Internal Medicine	SGO
Pharmacy	SGS
Patient Administration	SGS
Nephrology	SGO
Otolaryngology	SGO
Allergy/Immunology	SGO
Dermatology	SGO
Hematology/Oncology	SGO
Medical Logistics	SGS

PHASE III

Product Line	Panel
Professional Technical Training	SGC
Rheumatology	SGO
Infectious Disease	SGO
Speech/Audology - Hearing Consv	SGO
Nutritional Medicine	SGS
Tricare	SGS
Medical Readiness	SGP
Medical Resource Management	SGS
Quality Services	SGS
Independent Duty Medical Technicians	SGO
IM/IT	SGR
Medically Related Services	SGO

Completed & available for FY07 POM

Completed and available for FY08 POM

Green = completion
by Sept 04

Yellow = anticipate
completion after Sept
04

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Phase I

Product Line	Panel
OB/GYN	SGO
Pediatrics	SGO
Cardio/Thoracic Surgery	SGO
Neurology	SGO
Neurosurgery	SGO
Pulmonary/Critical Care Services	SGO
Endocrinology	SGO
Occupational Therapy	SGO
Plastic Surgery	SGO
Peripheral Vascular	SGO

Green =
completion by Sept
04

Yellow = anticipate
completion
after Sept 04

* Previous analysis

Vetting process to start 1 June 2004

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Phase II

Product Line	Panel
Family Practice/FP residency	SGO
Lab	SGS
*General Surgery	SGO
Gastroenterology	SGO
*Internal Medicine	SGO
Pharmacy	SGS
Patient Administration	SGS
Nephrology	SGO
*Otolaryngology	SGO
Allergy/Immunology	SGO
Dermatology	SGO
Hematology/Oncology	SGO
Medical Logistics	SGS

**Vetting process
completed by 1
Sept 2004**

Green = completion by Sept 04

Yellow = anticipate completion after Sept 04

* Previous analysis

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Phase III

Product Line	Panel
Professional Technical Training	SGC
Rheumatology	SGO
Infectious Disease	SGO
Speech/Audiology- Hearing Conservation	SGO
Nutritional Medicine	SGS
Tricare	SGS
Medical Readiness	SGP
Medical Resource Management	SGS
Quality Services	SGS
Independent Duty Medical Technicians	SGO
IM/IT Medically Related Services	SGR SGO

Green = completion by Sept 04

Yellow = anticipate completion after Sept 04

* Previous analysis

Vetting process completed for use in FY08 POM build

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Timeline Plan

- **By Sept 04 (for FY07 APOM)**
 - **Complete 16 PL's (mix of clinical and business)**
 - **10,339 authorizations (63% of remaining authorizations)**
 - **\$645M total risk (60% of remaining total risk)**

- **For FY08 POM**
 - **Complete remaining 19 PL's**
 - **6,680 authorizations**
 - **\$443M total risk**

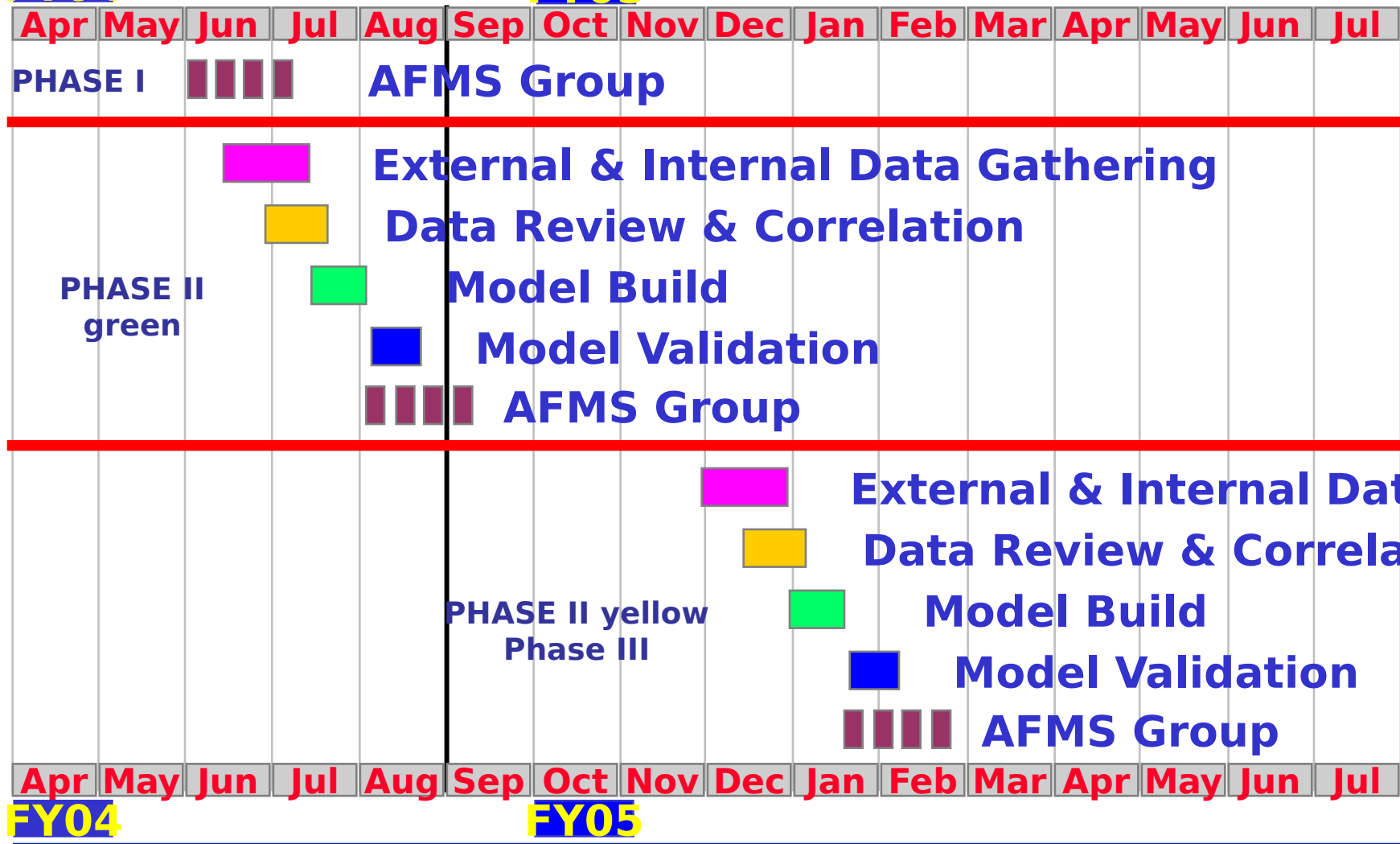


PLATT Timeline

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FY04

FY05



FY04

FY05

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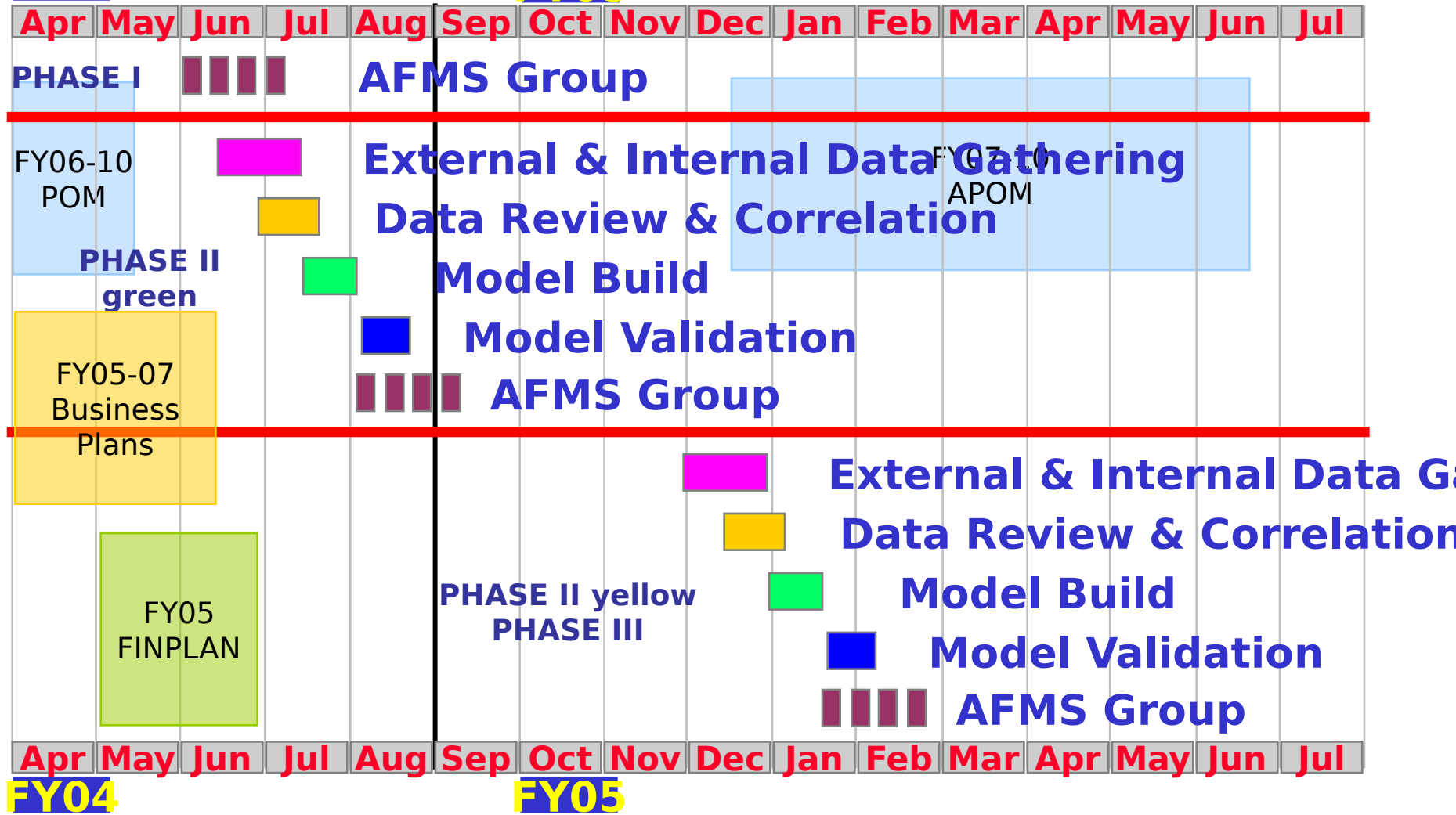


PLATT Timeline

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FY04

FY05



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The Way Ahead

- **Vetting process to start in Jun 04**
 - **MAJCOM initial review - 2 weeks**
 - **Final Coordination - 3 days**
 - **Panel Brief - Product Line briefed by PLATT**

- **Group Brief - Product Line briefed by Panel representative**
 - **Ownership of the model**
 - **Understanding of model application**
 - **PLATT as “consultant”**

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Decisions

- **Approve Product Line prioritization**
- **Approve vetting process**

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TPCP/MSA Central Contract



**Maj John Graves
AFMSA/SGSR**

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TPCP/MSA Central Contract

- **Purpose:** Establish and implement a TPCP/MSA CIV ER contract to facilitate and support limited front-end and majority of back-end revenue cycle operations. Three alternatives to choose from, A-single contract, B-dual contracts, or C-MAJCOM contracts.
 - **Classification:** Unclassified
 - **Type:** Decision
 - **Length of Briefing:** 30 min
 - **Briefer:** Maj John Graves, AFMSA/SGSR, DSN 761-6625, john.graves@pentagon.af.mil



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Managing the Revenue Cycle Effectively

“To find, implement, and sustain successful solutions, your healthcare organization should know at both an aggregate and functional level how well each component of your revenue cycle is performing. The knowledge gained through such measurements will help you to develop process-specific operations improvement methodologies. Furthermore, various departments or divisions within your organization can develop accountability for their specific role in the overall health of your revenue cycle.”

*by Ellen Lanser May
Health Care Executive Magazine*



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Overview

- **AFMS Patient Accounting
“Revenue Cycle”**
- **Concept**
- **Background**
- **Current operations**
- **Cost of TPC operations**
- **Assessment/KPIs**
- **Transition**
- **Funding**
- **Risk Mitigation**
- **Collections
projections**
- **MAJCOM concerns**
- **SGSR Response**
- **AFMS central
contracts**
- **Alternatives**
- **Advantages**

**Central vs.
Regional TPC
Contract:**

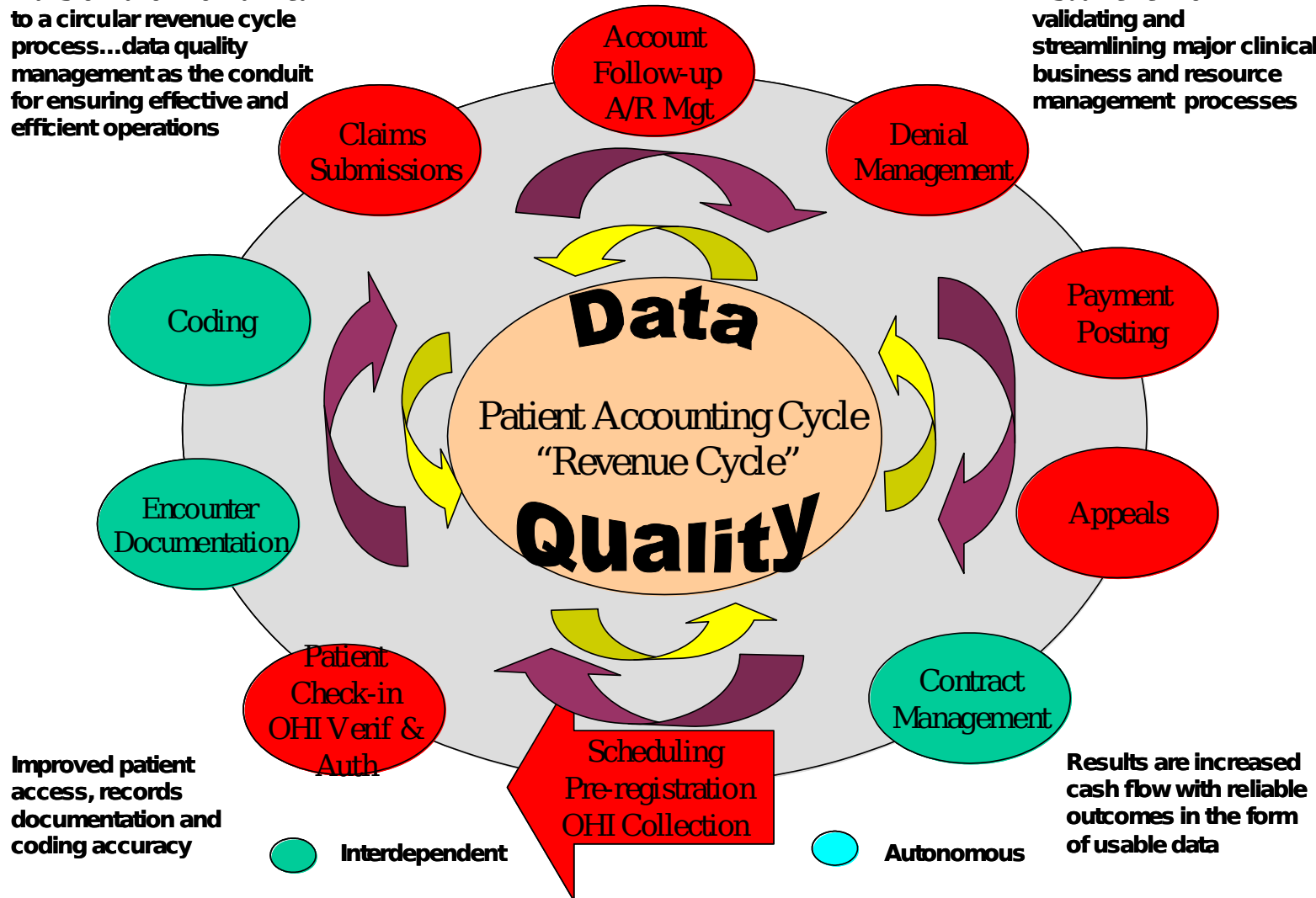


Microsoft Word
Document

MHS Patient Accounting "Revenue" Cycle

Transformation from a linear to a circular revenue cycle process...data quality management as the conduit for ensuring effective and efficient operations

Visual review for validating and streamlining major clinical business and resource management processes





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Revenue Cycle

- **AFMS Patient Accounting Revenue Cycle**
 - **MHS Model - policy and guidance**
 - **Data quality THE central activity - facilitates direction**
 - **Front-end CRITICAL to back-end success**
 - **Backend not a core competency for the AFMS nor DoD**
 - **Congress directed GAO to review DoD TPCP**
 - **GAO illustrated the DoD failed to collect \$44 million**
 - **AF, \$15.7M annually**
 - **Army, \$24.9M annually**
 - **Navy, \$3.4M annually**
 - **Necessitates outsourcing of a professional and competent healthcare revenue cycle management and billing company**
 - **AFMS can be the model for all DoD - we set the standard**

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Concept

- **Contract will support and facilitate Third Party Collections (TPC) and Medical Service Account (MSA) Civilian Emergency billing.**
 - **Transitions current individual and hub and spoke billing**
 - **Single contractor at one to three locations**
 - **Facilitates other health insurance (OHI) collection; 52% compliant as of 1 Apr 04.**
 - **Coders, nursing, and legal staff**
 - **Coders conduct claims audits - ensures clean claims**
 - **Clinic nurse ensures medical necessity through validation of pre-certification/pre-authorization procedures.**
 - **Legal staff will facilitate appeals**
 - **Back-end support for claims submissions, accounts follow-up (A/R), denials and appeals management, guidance for MTF posting of payments and refunds.**

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Concept Cont'd

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- **Contract Manager will partner with AF Uniformed Business Office (UBO) Program Manager.**
 - **TMA UBO Working Group Meeting**
 - **TMA TPOCS Computer Configuration Board Meeting**
 - **Assures competency through DoD awareness of current civilian industry practices and trends.**
- **Third Party Outpatient Collection System (TPOCS) server and database consolidation at central location.**
 - **Plan is to reduce 61 servers to estimated 45**
 - **SSG/MIR Functional Support Team**
 - **Contract provides full-time systems administration support**
 - **Remote billing using client software - standard practice**

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Background

- **Sep 2001, SGMC contracted with Bearingpoint**
 - **57 MTF site visits to observe revenue cycle operations and develop recommendations**
- **Oct 2002, Bearingpoint provided their findings**
- **Nov 2002, Bearingpoint briefed final report to SGM**
 - **SGM tasked SGMC to press forward with recommendations**
 - **Primary recommendation - centralize billings and collections**
- **Feb 2003, SGMC drafted AFMS Revenue Cycle Improvement Plan highlighting central contract proposal**
- **Apr 2003, SGMC briefed AF/SG on plan**
 - **SG agreed with concept**
 - **Requested front-end solution**

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Background cont'd

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- **May 2003, SGMC briefed concept to RM Conference**
- **Jun 2003, central contract UFR submitted when front-end plan was submitted for coordination.**
 - **SGOZ front-end plan approved; implemented in early FY04**
 - **Front-end plan a first - model for DoD**
- **Jul 2003, SGSR briefed DoD UBU/UBO Conference**
- **Aug 2003, MAJCOM/SGs reviewed AFMS Revenue Cycle Plan**
 - **Coding/coder auditor partial funding recommendation**
 - **Central contract proposal as funding source**
- **Oct 2003, UFR resubmitted to Support Panel**
 - **Support Panel did not rank high enough for immediate funding**

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Background cont'd

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- **Dec 2003, SGSR, 59MDW UBO and legal staff, HQ AETC/SGAC, 12th FTW/SJA, drafted Statement of Work.**
 - **Purpose was to be ready when funding became available**
 - **AETC engaged; only centralized contract model in AFMS**
- **Dec 2003, TMA UBO briefed DSGs; Health Affairs aware AF plan**
- **Feb 2004, UFR still not a priority**
 - **SGSR E-mailed MAJCOMs**
 - **Proceed with MAJCOM plans or**
 - **Develop plans for improving TPC**
 - **All new initiatives required a termination clause**
- **Apr 2004, 59MDW/CC provided funding, \$300K**
 - **BGen Green stated, “it was for the good of all”**
 - **59MDW first to create a full-time Revenue Cycle Manager**
 - **Performance Work Statement drafted**

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Current Operations

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- **UBO operations in flux—align with Bearingpoint findings**
- **20 plus contracts supported by 11 contractors; over 40 MTFs**
 - **Fixed firm price contracts—no incentive, paid regardless**
 - **Performance-based contracts**
 - **14% to 30% payback**
 - **14%, no MTF contract FTEs to support front-end OHI collection.**
 - **30%, FTE support, low volume of collections, no economies of scale.**
- **Overseas billing waiver expired**
 - **Mr. Ford will renew contingent on central contract**
 - **Absorbed into current TPOCS platform**

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Cost of TPC

- **Cost to operate TPC alone (MEPRS based)**
 - **ROI less than 30 cents on the dollar collected**
 - **30 April, collections reported were \$24.2M**
 - **Net revenue - \$7.24M**
- **Spending dollars for pennies**
- **Civilian industry standard**
 - **Billing only - 10%**
 - **Backend with full-time FTE support - 15%**
 - **Front and back-end FTE support - 30%**



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Critical Assessments & Key Performance Indicators (KPIs)

- **Performance Work Statement and Quality Assurance Evaluation**
 - **22 Assessments and KPIs - drive quality and performance for maximizing collections.**
 - **Critical KPIs**
 - **OHI compliance**
 - **Claims and dollar amount in accounts receivables**
 - **Aging accounts receivables**
 - **Cost to collect**
 - **Net A/R Days**
 - **Number of claims denials**
 - **Denials % to gross revenue**
 - **Clean claims**
 - **% of write-offs**
 - **No payment analysis by MEPRS by payer**

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Transition

- **Contract implemented in three phases**
 - **1st - MTFs, no contract; includes MTFs with expired contracts**
 - **2nd - MTFs under contract w/ termination clause**
 - **3rd - MTFs under contract w/o termination clause**
- **Estimated 52 MTFs can transition during the first phase**
- **SGSR and SSG/MIR finalizing transition plan**
 - **1 Oct begins transition; least collections, rates update, etc**
 - **Downtime, no more than 30 days, minimal impact**
- **Training for contract systems administrator and contractor training staff to occur the first week in Oct.**
- **Contractor begins billing for each TPOCS server brought on line**

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Funding

- **\$300K startup pays for**
 - **Training for systems administration and TPOCS/CHCS billing**
 - **TPOCS server and database consolidation**
 - **Server racks, other outfitting for voice and data communications**
- **Government risk for central contract - \$5.76M**
 - **\$5.7M, 15% of 1st year target - \$38M**
 - **Plus \$60K, 1% for VA processing**
 - **Central or decentralized MIPR, \$480K per month**
- **FY05 planning guidance for reimbursement line**
 - **FY04 Collections trend - \$42M**
 - **SGSR (Operations) recommends 90% (\$37.8M) as FY05 target**
 - **\$4.2M wedge for credit—natural assumption of risk**
 - **Actual net risk to the government is \$1.5M (\$5.7M-\$4.2M)**

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Risk Mitigation

- **Contract goal - maximize collections and reduce costs**

Eliminate \$29.4M annualized cost of TPC (.7 x \$42M)

- \$5.76M full government risk to centrally contract

\$23.64M net cost avoidance with central contract

- **FY05 planning guidance for reimbursement line (\$4.2M wedge)**

\$23.64M cost avoidance

+ \$ 4.2M wedge or MAJCOM and MTF credit for risk

= \$27.84 risk corridor (most to lose under central contract)

- **Already losing \$29.4M with current operations—can't lose!**



Collection Projections

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- **Original assumption based on Bearingpoint and SGSR conclusions from business case study.**
- **SGOZ three-year documentation and coding plan, P-GUI, CHCSII, and CCE, rates improvement, and increased OHI compliance.**
 - **FY02 Collections - \$42M - flat rate billing**
 - **FY03 Collections - \$32M - OIB began**
 - **FY04 trend - \$42M, \$10M (31%) over FY03**
 - **FY05 Collections - \$58.5M, \$16.5M (39%) over FY04**
 - **FY06 Collections - \$74.4M, \$15.9M (27%) over FY05**
 - **Overall growth from FY03 - \$42.4M (132%) under OIB**

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Major MAJCOM Concerns

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- **Concerns not shared by all (AETC and AMC support one contract)**
 - **All eggs in basket/lack of competition**
 - **Backup plan**
 - **Quick Startup/aggressive/phasing in**
 - **Financial risk and impact**
 - **IM/IT downtime**
 - **Quality Assurance**
 - **Outpatient itemized billing (OIB)**
 - **Reasonable targets for collections**



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SGSR Response

- **SGSR provided response to every concern in detail**
 - **Contract process provides quality outcomes**
 - **Plan is three years old - ready for AFMLO and VASS**
 - **Financial impact discussed earlier**
 - **IM/IT discussed earlier**
 - **OIB is exclusive of contract proposal - relies on whole revenue cycle**
- **No compelling data to illustrate a central contract will not work**
- **Every additional contract will increase costs \$700K - \$1.1M**
- **MAJCOMs will hold MTFs at risk for startup**
- **OHI not the single reason for improved collections**
- **28 May is suspense for VASS, AF draft to AFMLO for review**
- **Individual contracts lack standardization across the board for business practices and IM/IT systems support**

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AFMS Central Contracts

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- **Can AFMS central contracts work? -- YES**
- **Successful AFMS Contracts**
 - **HAMS (housekeeping) - environment of care**
 - **Dental - patient care**
 - **Systems (central buy) - patient care support**
 - **HIPAA - patient privacy; identifies injury related care**
 - **Patient Safety - life safety**
- **Although AFMS contracts not revenue generating**
 - **Impact clinical operations**
 - **Lack of contract support directly impacts patient care**
 - **Drives patients to the private sector**
 - **Increases financial risk under PPS and TPC**
 - **Threatens TRICARE enrollment and access to care**

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Alternatives

- **A: One contract, one operation, single QAE**
 - **Affordable with \$300K startup**
 - **TPOCS server/database consolidation**
- **B: Two contracts, East and West**
 - **\$300K not enough, will require additional funding for training and IT startup support for additional contractor.**
 - **East absorbs USAFE**
 - **West absorbs PACAF**
- **C: MAJCOM Contracts**
 - **Smaller MAJCOMS roll into larger MAJCOM**
 - **Absorb startup costs**
 - **PACAF and USAFE roll-in**
- **SGSR Recommendation: Alternative A**

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Central Contract Advantages

- **Combined AFMS and Contract influence in UBO operations**
- **Improved OHI compliance - GAO sensitive**
- **Overhead minimized**
 - **Creates standardization**
 - **Elimination of redundancy**
- **Increased visibility of a vital program; increased emphasis at MAJCOM and MTF senior leadership.**
- **Strengthens critical link between front and back-ends of the revenue cycle.**
- **Increased revenue streams through payer contacts**
- **Closely mirrors commercial billing practices; brings competency to the process.**
- **MTFs can concentrate on Medical Affirmative Claims and MSA interagency billing - both are down for the year.**

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QUESTIONS

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Meeting Recap & Calendar

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- **New Items**
- **Action Items**
- **Meeting Schedule:**
 - **AFMS Group: Wed., 19 May, 1300-1530**

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